

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham J. Gaffy, P.C.</i> <i>Walter J. Gaffy</i>			Date	

**Northwest Michigan Council  
of Governments  
Traverse City, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2004**

Northwest Michigan Council of Governments

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ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Northwest Michigan Council of Governments  
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Michigan Council of Governments as of and for the year ended September 30, 2004, which collectively comprise the Northwest Michigan Council of Governments' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Northwest Michigan Council of Governments as of September 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 7, 2005, on our consideration of the Northwest Michigan Council of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

January 7, 2005

## **Management's Discussion and Analysis For Fiscal Year Ended September 30, 2004**

The Northwest Michigan Council of Governments is in its second year of implementing the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Council's financial performance during the year ending September 30, 2004, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Council's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

### **Financial Highlights**

- The assets of the Council exceeded its liabilities at September 30, 2004, by \$1,155,486 at the entity-wide level. Of this amount, \$1,013,692 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets decreased \$65,495 as a result of this period's operations.
- As of September 30, 2004, the Council's governmental fund reported an ending fund balance of \$1,158,055, an increase of \$37,079.
- As of September 30, 2004, the unreserved and undesignated fund balance was \$952,597.

### **Overview of the Financial Statements**

The Northwest Michigan Council of Governments' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The government-wide financial statements provide information about the activities of the entire Council. They present an overall view of the Council's finances, reporting the assets and liabilities for the year ending September 30, 2004.

The statement of net assets present information on all of the Northwest Michigan Council of Governments' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the year ending September 30, 2004. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The Northwest Michigan Council of Governments' offices are supported by governmental grants, donations, fees and charges for services, interest, and contributions. The governmental activities of the Council are all considered employment and training or planning programs. The Council does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Northwest Michigan Council of Governments.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements. The Council operates with forty-eight funds, which are considered governmental funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-18 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the activities of non-major governmental funds on pages 19-38. Other supplementary information concerning expenditures of federal awards can be found on pages 39-43 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Northwest Michigan Council of Governments, assets exceeded liabilities by \$1,155,486. The following table compares net assets data for 2004 to net assets data for the prior year, 2003.

	<u>2003</u>	<u>2004</u>	<u>Change 2003-2004</u>
Current assets	\$ 885,077	\$ 1,035,869	\$ 150,792
Noncurrent assets	1,650,732	1,541,783	( 108,949 )
Capital assets	<u>226,061</u>	<u>162,257</u>	<u>( 63,804 )</u>
Total assets	2,761,870	2,739,909	( 51,961 )
Current liabilities	768,154	886,072	117,918
Noncurrent liabilities	<u>772,735</u>	<u>698,351</u>	<u>( 74,384 )</u>
Total liabilities	<u>1,540,889</u>	<u>1,584,423</u>	<u>43,534</u>
Net assets			
Invested in capital assets	199,460	141,794	( 57,666 )
Unrestricted	<u>1,021,521</u>	<u>1,013,692</u>	<u>( 7,829 )</u>
Total net assets	<u>\$ 1,220,981</u>	<u>\$ 1,155,486</u>	<u>\$ ( 65,495 )</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) decreased by \$7,829. This represents a decrease of approximately .7 percent. The current level of unrestricted net assets for our governmental activities stands at \$1,013,692, or approximately 11 percent of annualized expenditures. This is within our desired range.

The following table compares the changes in net assets for the year ended September 30, 2004 to changes in net assets for the prior three month period ended September 30, 2003.

	<u>2003</u>	<u>2004</u>
Program revenues		
Operating grants and other/contributions	\$ 2,191,184	\$ 8,102,399
Charges for Services	143,169	838,764
General revenue		
Interest	12,496	34,521
Loss on Investments	( 7,402 )	( 21,199 )
Other	<u>13,143</u>	<u>89,177</u>
Total revenues	2,352,590	9,043,662
Program Expenses	<u>2,369,577</u>	<u>9,109,157</u>
Change in net assets	<u>\$( 16,987 )</u>	<u>\$( 65,495 )</u>



The table above represents revenue and expenses for three months in 2003 (July - September) and in 2004 it includes twelve months (October - September).

### **Financial Analysis of the Government's Funds**

As noted earlier, the Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements.

**Governmental Funds:** The focus of the Northwest Michigan Council of Governments' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Northwest Michigan Council of Governments' financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2004, the governmental funds reported an ending fund balance of \$1,158,055; an increase of \$37,079 from the prior year. Of this total, \$205,458 has been designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2004 was \$952,028.

As a measure of the governmental fund's liquidity, it may be useful to compare total fund balance and unreserved-undesignated fund balance to total fund expenditures. Total fund balance for 2004 represents approximately 13 percent of total fund expenditures, while unreserved-undesignated fund balance represents approximately 11 percent of total expenditures.

### **Capital Asset and Debt Administration**

**Capital Assets:** The Northwest Michigan Council of Governments' investment in capital assets as of September 30, 2004, amounts to \$162,257 (net of accumulated depreciation).

**Long-term Obligations:** The Northwest Michigan Council of Governments executed a loan agreement to finance a prepaid building lease in 1994. The Council executed a loan agreement to purchase an automobile in February 2003. As of September 30, 2004, the balance of the loans was \$570,158, a decrease of \$(83,445) from a year ago. The Council also has a long-term obligation related to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2003 was \$203,757, and at September 30, 2004 was \$205,458.

### **Economic Factors**

From FY 03 to FY 04 the Northwest Michigan Council of Governments experienced a 2.4% increase in grant funding for employment and training programs primarily due to increased funding from the Workforce Investment Act for the Dislocated Worker program. Overall, Michigan's WIA Dislocated Worker allocation was higher because of its unemployment situation relative to all other states.

Combined with miscellaneous other changes in grant funding, the net effect for the COG was an increase of about \$180,000 in annualized funds from FY 03 to FY 04.

## **Requests for Information**

This financial report is designed to provide a general overview of the Northwest Michigan Council of Governments' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Northwest Michigan Council of Governments located at 2194 Dendrin Drive, Traverse City, Michigan, or, mailing address of P.O. Box 506, Traverse City, Michigan 49685-0506.

## **BASIC FINANCIAL STATEMENTS**

Northwest Michigan Council of Governments

STATEMENT OF NET ASSETS

September 30, 2004

ASSETS

Current assets

Cash

Petty cash	\$	800
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Cash and cash equivalents		296,368
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Accounts receivable

TBAISD		268,999
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State of Michigan		388,143
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Other		55,535
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Prepaid expenditures		<u>26,024</u>
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Total current assets		1,035,869
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Noncurrent assets

Investments		929,470
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Prepaid lease, net		612,313
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Capital assets, net		<u>162,257</u>
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Total noncurrent assets		<u>1,704,040</u>
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TOTAL ASSETS		2,739,909
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LIABILITIES

Current liabilities

Accounts payable

NWMPIC		46,127
--------	--	--------

TBAISD		189,728
--------	--	---------

State of Michigan		416,232
-------------------	--	---------

Other		155,197
-------	--	---------

Accrued interest payable		1,523
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Current portion of long term debt		<u>77,265</u>
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Total current liabilities		886,072
---------------------------	--	---------

Noncurrent liabilities

Accrued vacation and sick leave		205,458
---------------------------------	--	---------

Noncurrent portion of long term debt		<u>492,893</u>
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Total noncurrent liabilities		<u>698,351</u>
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TOTAL LIABILITIES		1,584,423
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NET ASSETS

Invested in capital assets, net of related debt		141,794
-------------------------------------------------	--	---------

Unrestricted		<u>1,013,692</u>
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TOTAL NET ASSETS	\$	<u><u>1,155,486</u></u>
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See accompanying notes to financial statements.

Northwest Michigan Council of Governments

STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

EXPENSES	
Administration	\$ 612,124
Training	1,234,884
Services	5,679,049
Intensive	200,860
Core Services	1,011,971
Procurement	150,000
Interest on Long-term Debt	11,585
Amortization of prepaid lease	120,454
Unallocated Depreciation	<u>88,230</u>
TOTAL EXPENSES	9,109,157
PROGRAM REVENUES	
Operating grants and contributions	8,102,399
Charges for services	<u>838,764</u>
TOTAL PROGRAM REVENUES	<u>8,941,163</u>
NET PROGRAM REVENUES	(167,994)
GENERAL REVENUES	
Interest revenues	34,521
Loss on Investments	(21,199)
Other	<u>89,177</u>
TOTAL GENERAL REVENUES	<u>102,499</u>
CHANGE IN NET ASSETS	(65,495)
Net assets, beginning of period	<u>1,220,981</u>
Net assets, end of period	<u><u>\$ 1,155,486</u></u>

See accompanying notes to financial statements.

Northwest Michigan Council of Governments

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2004

	General	WIA Adult 03/04	WIA Dislocated Worker 03/04	WIA Youth 03/04
<b>ASSETS</b>				
Cash				
Petty cash	\$ 200	\$ -	\$ -	\$ -
Cash and cash equivalents	165,000	54,009	(7,849)	43,379
Accounts receivable				
TBAISD	41,072	65,001	65,000	75,000
State of Michigan	-	-	-	-
Other	52,254	-	-	-
Prepaid expenditures	-	-	-	-
Investments	929,470	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,187,996</b>	<b>\$ 119,010</b>	<b>\$ 57,151</b>	<b>\$ 118,379</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable				
NWMPIC	\$ 46,127	\$ -	\$ -	\$ -
TBAISD	-	-	-	-
State of Michigan	-	119,010	57,151	118,379
Other	29,383	-	-	-
<b>TOTAL LIABILITIES</b>	<b>75,510</b>	<b>119,010</b>	<b>57,151</b>	<b>118,379</b>
<b>FUND BALANCES</b>				
Unreserved				
Designated for Accrued Vacation & Sick Leave	205,458	-	-	-
Undesignated, Reported in:				
General Fund	907,028	-	-	-
Special Revenue Funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,112,486</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,187,996</b>	<b>\$ 119,010</b>	<b>\$ 57,151</b>	<b>\$ 118,379</b>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 600	\$ 800
41,829	296,368
22,926	268,999
388,143	388,143
3,281	55,535
26,024	26,024
-	929,470
<u>\$ 482,803</u>	<u>\$ 1,965,339</u>

\$ -	\$ 46,127
189,728	189,728
121,692	416,232
125,814	155,197
<u>437,234</u>	<u>807,284</u>
-	205,458
-	907,028
45,569	45,569
<u>45,569</u>	<u>1,158,055</u>
<u>\$ 482,803</u>	<u>\$ 1,965,339</u>

Northwest Michigan Council of Governments

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2004

**Total fund balance - governmental funds** **\$ 1,158,055**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 791,252	
Accumulated depreciation is	<u>(628,995)</u>	
		162,257

Prepaid lease that is being amortized over the life of the lease.

The cost of the prepaid lease is	1,806,825	
Accumulated amortization of prepaid lease is	<u>(1,194,512)</u>	
		612,313

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Notes payable	(549,695)	
Auto loan	(20,463)	
Accrued interest payable	(1,523)	
Compensated absences	<u>(205,458)</u>	
		<u>(777,139)</u>

**Net assets of governmental activities** **\$ 1,155,486**

See accompanying notes to financial statements.



Northwest Michigan Council of Governments

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year Ended September 30, 2004

	General	WIA Adult 03/04	WIA Dislocated Worker 03/04	WIA Youth 03/04
REVENUES				
Grants	\$ -	\$ 779,232	\$ 908,634	\$ 880,662
Interest earned	33,640	-	-	-
Loss on investments	(21,199)	-	-	-
Rent	838,764	-	-	-
Other	77,648	-	-	-
TOTAL REVENUES	928,853	779,232	908,634	880,662
EXPENDITURES				
Administration	-	-	-	-
Training	-	405,175	309,973	-
Services	768,511	-	-	880,662
Intensive	-	64,248	92,955	-
Core services	-	309,809	505,706	-
Procurement	-	-	-	-
Debt service	94,880	-	-	-
TOTAL EXPENDITURES	863,391	779,232	908,634	880,662
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,462	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	65,462	-	-	-
Fund balances, beginning of year	1,052,087	-	-	-
Prior period adjustments	(5,063)	-	-	-
Fund balances, end of year	<u>\$ 1,112,486</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,533,871	\$ 8,102,399
881	34,521
-	(21,199)
-	838,764
11,529	89,177
5,546,281	9,043,662
634,939	634,939
519,736	1,234,884
4,029,876	5,679,049
43,657	200,860
196,456	1,011,971
150,000	150,000
-	94,880
5,574,664	9,006,583
(28,383)	37,079
1,305	1,305
(1,305)	(1,305)
-0-	-0-
(28,383)	37,079
68,889	1,120,976
5,063	-0-
\$ 45,569	\$ 1,158,055

Northwest Michigan Council of Governments

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

**Net change in fund balances - total governmental funds** **\$ 37,079**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	24,516	
Depreciation expense	(88,230)	
Amortization of prepaid lease	<u>(120,454)</u>	
		(184,168)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Notes principal and loan retirement	83,445
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(150)	
(Increase) in accrued compensated absences	<u>(1,701)</u>	
		<u>(1,851)</u>

**Change in net assets of governmental activities** **\$ (65,495)**

See accompanying notes to financial statements.

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

The following Notes are an integral part of the financial statements.

**Note 1 - Summary of Significant Accounting Policies**

General Statement

The Northwest Michigan Council of Governments (the Council or NWMCOG) is a voluntary association of counties within the ten-county North West Michigan region. The Council was established in 1984 to assist local governments in planning for common needs, cooperating for mutual benefit, administering the Employment and Training programs, and coordinating for sound regional development. NWMCOG is a political subdivision that was organized pursuant to Public Act 7 and the State of Michigan under the Urban Cooperation Act of 1967. The Council's purpose is to provide employment and training programs, regional planning services, and other social programs for a ten-county region which includes Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford Counties. In the Statement of Revenues, Expenditures, and Changes in Fund Balance, these operations are reflected in the General Fund. This fund is supplemented by Federal and State administered grant funds to permit the Council to undertake specific programs. These specific programs are reflected in the Special Revenue Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Council relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Council's basic financial statements include the accounts of all Council operations. The criteria for including organizations within the Council's reporting entity, as set forth in NCGA Statement No. 3, "Defining the Reporting Entity", primarily include the degree of oversight responsibility maintained by the Executive Board. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Each county is entitled to appoint one member from the county board of commissioners, preferably the chairperson, to the Council's board of directors, which is NWMCOG's policy making and governing body. Member governments and various local agencies for which grants and fundings are issued by the Council have not been included within the Council's basic financial statements because none of the criteria of NCGA Statement No. 3 have been met.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 1 - Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all interest and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the Council's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Council are:

- a. The General Fund is the Council's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The WIA Adult 03/04, WIA Dislocated Worker 03/04, and WIA Youth 03/04 Funds are used to account for the operations of these programs, which provide employment and training services to eligible recipients. Revenues consist of Federal and State grants for eligible program expenditures.

Listed below are the acronyms for the major and nonmajor funds along with the complete fund name.

SBDC	Small Business Development Center	SBDC FY 03	Small Business Development Center 2003
GFGP	General Funds General Purpose	NAFTA	North American Free Trade Act
Mi Works Inc	Michigan Works Incentive	WP Reimb	Work Program Reimbursement
TAA	Trade Act Assistance	WF	Work First
WTW	Welfare-to-Work	WF Reed	Work First Reed Act
WTW GF/GP	Welfare-to-Work General Funds General Purpose	WIA NEG 03/04	WIA National Emergency Grant 2003/2004
MRS Disability	Michigan Rehab Services	EDA	Economic Development Administration
FS Support	Food Stamps Supporting Services	Adult Ed	Adult Education
Food Assist	Food Stamps Assistance	MEDC	Michigan Economic Development Corporation
SBTDC	Small Business Technology Development Center		

**C. Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Basis of Accounting - continued**

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Council has elected not to follow subsequent private-sector guidance.

**E. Leave Policies**

The liability for employees' accumulated leave has been estimated using the *terminal payment method*. It includes an amount to reflect payroll taxes and is recorded in the government-wide financial statements.

Vacation Leave At the conclusion of the first year of employment 10 days of vacation leave will be available. During years two through five, an employee accrues 10 days per year; years six through fifteen, an employee accrues 15 days per year; years sixteen through twenty, 20 days per year. For each year of employment after twenty, an employee accrues 25 days per year.

Employees may accumulate a maximum of 20 days in the first five years of employment; 25 days in years six through fifteen; 30 days in years sixteen through twenty; and 40 days after twenty years of employment. Part-time employees accrue vacation leave on a pro-rated basis.

Sick Leave Employees accrue 12 days per year to be used as sick leave and may accumulate up to 180 days. Employees terminating employment in good standing are paid for unused sick leave at one-half of their prevailing wage rate.

Funeral Leave Employees receive paid leave of 3 to 5 days depending on the employee's relationship to the deceased.

**F. Cash and Investments**

The Council pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash consists of checking accounts and a money market fund.

Investments include bonds and mutual funds held by Fifth Third Investment Management and Trust Services. All bonds and mutual funds are stated at fair value.

**G. Capital Assets**

Capital assets include equipment and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition is reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 1 - Summary of Significant Accounting Policies (continued)**

**G. Capital Assets - continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment and computers	5 years

**H. Long-Term Obligations**

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**I. Budgets**

The Council has developed a budget for the organization as a whole, which is approved by the Administrative Board. The budget is not prepared at the fund level, and as a result is not reported within these financial statements.

**Note 2 - Cash and Investments**

The Council utilizes various pooled cash accounts for approximately fifty-four funds. The Council's pooled cash accounts consist of a common checking account and a money market fund.

The Council's pooled cash accounts are utilized by the General Fund and Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash captions on the combined balance sheet.

In accordance with Michigan Compiled Laws, the Council is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 2 - Cash and Investments (continued)**

5. Banker's acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ -	\$ 1,737
Savings	<u>5,209</u>	<u>5,209</u>
	<u>\$ 5,209</u>	<u>\$ 6,946</u>

Deposits of the Council are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Council. As of September 30, 2004, the Council accounts were fully insured by the FDIC. The Council maintains a petty cash imprest amount of \$800, which is included in the cash on the balance sheet.

Due to significantly higher cash flow at certain periods during the year, the amount the Council held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Investments

As of September 30, 2004, the carrying amount and market values for the investment funds are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds:		
Fifth Third Investment Management and Trust Services	\$ 929,470	\$ 929,470
Fifth Third Corporate Sweep Investment	<u>291,159</u>	<u>304,801</u>
	<u>\$ 1,220,629</u>	<u>\$ 1,234,271</u>

The cash and investments referred to above have been reported in either the cash or investments captions on the balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2004:

Cash	\$ 297,168
Investments	<u>929,470</u>
	<u>\$ 1,226,638</u>



Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 3 - Accounts Receivable**

The following is a summary of the accounts receivable for the various grant programs reported in the Special Revenue Funds as of September 30, 2004:

<u>Grant</u>	<u>Amount</u>
State of Michigan	
Reed Act	\$ 50,036
Community Correction	126,453
WIA Administration 04/05	22,023
Procurement	42,837
MEDC	6,500
SBTDC FY04	20,137
Trade Act	17
Employment 04/05	9,287
GFGP/WTW	6,110
WIA Displaced Homemaker 04/05	2,222
EDA 04/05	10,598
EDA 03/04	102
Food Assist	18,713
Transportation	38,448
Hazard Abatement	21,846
Probation Services	<u>12,814</u>
	388,143
Traverse Bay Area Intermediate School District	268,999
Other	<u>55,535</u>
	<u>\$ 712,677</u>

**Note 4 - Operating Leases**

The Council has entered into leases for vehicles, office equipment and office space for Michigan Works! Service Centers. The leases are treated as operating leases since the Council will not own the assets after all lease payments have been remitted. At September 30, 2004, total lease payments remaining were \$1,280,795.

The following is a summary of the minimum future operating lease payments for the Council as of September 30, 2004.

<u>Years Ending September 30,</u>	<u>Lease Contracts Payable</u>
2005	\$ 329,840
2006	325,347
2007	313,195
2008	200,941
2009	105,448
Thereafter	<u>6,024</u>
	<u>\$ 1,280,795</u>

Lease commitment for office space with Oleson Foundation; monthly rent payments of \$1826 are required until March 31, 2004. Monthly payments are \$1992 from April 1, 2004 through February 29, 2008.

\$ 81,672

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 4 - Operating Leases (continued)**

Lease commitment for office space with Petoskey Knight of Columbus; monthly rent payments of \$6,024 are required through October 31, 2009.	\$ 367,488
Lease commitment for office space with Oleson Foundation; monthly rent payments of \$10,308 are required until April 9, 2008.	432,951
Lease commitment for office space with AC Geenen Associated, Inc.; monthly rent payments of \$4,737 are required until April 30, 2009.	260,517
Lease commitment for office space with Wexford County; monthly rent payments of \$4,051 are required until June 30, 2007.	133,675
Lease commitment for copier with Swanson Leasing Inc.; monthly installments of \$409 are required through August 26, 2005.	<u>4,492</u>
	<u>\$ 1,280,795</u>

**Note 5 - Long-Term Debt**

The following is a summary of the long-term debt transactions for the Council for the year ended September 30, 2004:

	<u>Notes Payable</u>	<u>Accrued Expenses</u>	<u>Total</u>
Long-term debt at October 1, 2003	\$ 653,603	\$ 203,757	\$ 875,360
Net increase in accruals	-	1,701	1,701
Payments	<u>( 83,445 )</u>	<u>-</u>	<u>( 83,445 )</u>
Long-term debt at September 30, 2004	<u>\$ 570,158</u>	<u>\$ 205,458</u>	<u>\$ 775,616</u>

At September 30, 2004, the Council's long-term debt consisted of the following:

Notes Payable

The Fifth Third Bank loan interest rate increased to 3.325% (70% of prime) from 2.800% in October 2003, at which time the monthly payment became \$7,900. Northwestern Michigan College is the guarantor of the bank loan. In the event of cancellation of the pre-paid lease (which is permitted with adequate notice), Northwestern Michigan College will assume the loan outstanding and refund to the Council a pro-rata portion of the non-borrowed funds the Council expended.

\$ 549,695

GMAC 0% interest auto loan.

20,463

\$ 653,603

Accrued Expenses

Vacation pay owed to employees includes an allowance for Medicare expenses.

\$ 67,457

Terminal leave pay for accumulated sick leave owed to employees. Includes an allowance for Medicare expenses.

138,001

\$ 205,458

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 5 - Long-Term Debt (continued)**

The annual requirements to amortize all notes payable outstanding as of September 30, 2004, are as follows:

Years Ending September 30,	Notes Payable		Auto Loan	
	Principal	Interest	Principal	Interest
2005	\$ 77,711	\$ 17,089	\$ 6,139	\$ -
2006	80,335	14,465	6,139	-
2007	83,047	11,753	6,139	-
2008	85,851	8,949	2,046	-
2009	88,749	6,051	-	-
Thereafter	134,002	3,419	-	-
	<u>\$ 549,695</u>	<u>\$ 61,726</u>	<u>\$ 20,463</u>	<u>\$ -0-</u>

The accrued expenses for terminal leave and vacation pay are not included in the above schedule due to the unknown nature and timing of the related employee payment claim requests.

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2004 was as follows:

	Oct. 1, 2003	Additions	Deletions	Sept. 30, 2004
Computers	\$ 114,575	\$ 9,026	\$ 5,996	\$ 117,605
Equipment	30,814	-	-	30,814
Vehicles	<u>718,503</u>	<u>15,490</u>	<u>91,160</u>	<u>642,833</u>
Totals at historical cost	863,892	24,516	97,156	791,252
Less accumulated depreciation for:				
Computers	( 99,267 )	( 8,890 )	5,996	( 102,161 )
Equipment	( 18,557 )	( 4,745 )	-	( 23,302 )
Vehicles	<u>( 520,007 )</u>	<u>( 74,685 )</u>	<u>91,160</u>	<u>( 503,532 )</u>
Totals for accumulated depreciation	<u>( 637,831 )</u>	<u>( 88,320 )</u>	<u>97,156</u>	<u>( 628,995 )</u>
Capital assets, net	<u>\$ 226,061</u>	<u>\$ ( 63,804 )</u>	<u>\$ -0-</u>	<u>\$ 162,257</u>

Capital assets with title to equipment with an acquisition cost of \$5,000 or more is to be vested in the Michigan Works Agency (MWA). Vestment of title is contingent upon MWA's operation of applicable programs. Title of equipment will vest to Office of Workforce Development upon the MWA's termination of applicable programs

**Note 7 - Prepaid Lease**

The Council has entered into a agreement with Northwest Michigan College where by the Council leases facilities from Northwest Michigan College. The lease payments related to these facilities have been prepaid by the Council covering a 15 year time period that ends 2009.

Prepaid lease	\$ 1,806,825
Amortization	<u>( 1,194,515 )</u>
	<u>\$ 612,313</u>

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 7 - Prepaid Lease (continued)**

The amount reflected as prepaid lease as of September 30, 2004, represents the unamortized balance of the prepaid lease. The lease is being amortized over its fifteen year life (straight-line) in accordance with GASB #13. As of September 30, 2004, 61 months of the 180-month lease remained.

**Note 8 - Retirement Plan**

The Council has a retirement plan administered by Nationwide Insurance Company. It is a defined contribution retirement plan which provides benefits for all employees with immediate and complete vesting. The Council contributes varied amounts that is stated in employment contracts which fulfills the Council's obligation under the plan. Therefore, there are no unfunded liabilities related to the plan. For the year ended September 30, 2004, the Council had a total payroll of \$859,186. The retirement plan had covered payroll of \$859,186. The Council made contributions to the retirement plan in the amount of \$142,139.

**Note 9 - Deferred Compensation Plan**

The Council offers its employees a deferred compensation plan. The plan, available to all Council employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. A trust was created effective July 1, 1997 to receive and hold assets of the plan. The plans assets are no longer required to be reported by the Council because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

**Note 10 - Fund Equity Reserves**

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following is the fund balance reserve as of September 30, 2004:

General Fund	
Reserved for Accumulated Vacation & Leave	<u>\$ 205,458</u>

**Note 11 - Reliance on Funding Sources**

The Council receives all of its support from various federal, state, and local grant revenues. A significant reduction in the level of this support, if it were to occur, would have an effect on the Council's programs and activities.

Northwest Michigan Council Of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**Note 12 - Contract Commitments**

The Council has contracts with various subcontractors to provide services under EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs that are not completed and closed out until after year-end. Commitments outstanding at September 30, 2004 totaled \$4,285,119. The EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs had sufficient grant amounts available to cover the commitments.

**Note 13 - Risk Management**

The Council is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Council carries commercial insurance.

**Note 14 - Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Interfund transfers for the three months ended September 30, 2004 are:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Funds	<u>\$ 1,305</u>	<u>\$ 1,305</u>

**Note 15 - Prior Period Adjustments**

The following prior period adjustments were made during the year, which was the result of the correction of an accounting error. This adjustment was reported as a change to beginning fund balance. The effect on operations and other affected balances for the current and prior year is as follows:

	<u>2004</u>	<u>2003</u>	<u>Description</u>
GENERAL FUND			
Cash	\$ -	\$(5,063)	Correct overstated cash
Revenues over (under) expenses	-	(5,063)	
Fund balance - beginning	(5,063)	-	
SPECIAL REVENUE			
SBDC Match FY 03			
Cash	\$ -	\$ 5,063	Correct understated cash
Revenues over (under) expenses	-	5,063	
Fund balance - beginning	5,063	-	

## **OTHER SUPPLEMENTARY INFORMATION**

Northwest Michigan Council of Governments

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2004

	WIA Administration 04/05	WIA Adult 04/05	WIA Dislocated Worker 04/05	Procurement
ASSETS				
Cash				
Petty cash	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	(22,023)	40,909	69,686	(28,851)
Accounts receivable				
TBAISD	-	-	-	-
State of Michigan	22,023	-	-	42,837
Other	-	-	-	850
Prepaid expenditures	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 40,909</u>	<u>\$ 69,686</u>	<u>\$ 14,836</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable				
TBAISD	\$ -	\$ 20,798	\$ 14,834	\$ -
State of Michigan	-	20,111	54,852	-
Other	-	-	-	14,836
TOTAL LIABILITIES	-0-	40,909	69,686	14,836
FUND BALANCES				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
TOTAL FUND BALANCES	-0-	-0-	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 40,909</u>	<u>\$ 69,686</u>	<u>\$ 14,836</u>

MEDC	Host Match FY 04	SBDC Match FY 03	SBTDC FY 04	Reed Act Service Center	Reed Act Accessibility
\$ - (6,500)	\$ - 7,946	\$ - -	\$ - (16,677)	\$ - -	\$ - 390
- 6,500	- -	- -	- 20,137	- -	- -
- -	- -	- -	2,200	- -	- -
- -	- -	- -	- -	- -	- -
<u>\$ -0-</u>	<u>\$ 7,946</u>	<u>\$ -0-</u>	<u>\$ 5,660</u>	<u>\$ -0-</u>	<u>\$ 390</u>
\$ - - -	\$ - - 7,946	\$ - - -	\$ - - 5,660	\$ - - -	\$ - - 390
-0-	7,946	-0-	5,660	-0-	390
- -	- -	- -	- -	- -	- -
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ 7,946</u>	<u>\$ -0-</u>	<u>\$ 5,660</u>	<u>\$ -0-</u>	<u>\$ 390</u>



Northwest Michigan Council of Governments

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

September 30, 2004

	SBDC FY 03	WIA Incentive Incumbent Worker	WIA Incumbent Worker State-wide	Trade Act
<b>ASSETS</b>				
Cash				
Petty cash	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	1,904	926	-	41,193
Accounts receivable				
TBAISD	-	-	-	-
State of Michigan	-	-	-	17
Other	-	-	-	-
Prepaid expenditures	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,904</b>	<b>\$ 926</b>	<b>\$ -0-</b>	<b>\$ 41,210</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ 41,210
State of Michigan	1,890	926	-	-
Other	14	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,904</b>	<b>926</b>	<b>-0-</b>	<b>41,210</b>
<b>FUND BALANCES</b>				
Unreserved				
Undesignated, Reported in: Special Revenue Funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,904</b>	<b>\$ 926</b>	<b>\$ -0-</b>	<b>\$ 41,210</b>

NAFTA	TAA	Employment Service 04/05	Employment Service 03/04	Reemployment Service 03/04	Work First TANF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,292	(20,785)	1	(2,456)
-	-	-	21,609	1,317	-
-	-	9,287	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,710
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,579</u>	<u>\$ 824</u>	<u>\$ 1,318</u>	<u>\$ 5,254</u>
\$ -	\$ -	\$ 15,579	\$ -	\$ -	\$ 5,254
-	-	-	824	1,318	-
-	-	-	-	-	-
-0-	-0-	15,579	824	1,318	5,254
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,579</u>	<u>\$ 824</u>	<u>\$ 1,318</u>	<u>\$ 5,254</u>

Northwest Michigan Council of Governments

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

September 30, 2004

	Transportation to Work TANF	GFGP WTW	TANF Support Services	WTW
ASSETS				
Cash				
Petty cash	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	-	-	-	-
Accounts receivable				
TBAISD	-	-	-	-
State of Michigan	-	6,110	-	-
Other	-	-	-	-
Prepaid expenditures	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 6,110</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable				
TBAISD	\$ -	\$ 6,110	\$ -	\$ -
State of Michigan	-	-	-	-
Other	-	-	-	-
TOTAL LIABILITIES	-0-	6,110	-0-	-0-
FUND BALANCES				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
TOTAL FUND BALANCES	-0-	-0-	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 6,110</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

WTW GFGP	WIA Displaced Homemaker 04/05	WIA Displaced Homemaker WRC 03/04	WIA Administration 03/04	WIA Lear JAC #1	WIA Neg 03/04
\$ -	\$ -	\$ -	\$ 600	\$ -	\$ -
-	964	-	5,178	-	-
-	-	-	-	-	-
-	2,222	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 3,186</u>	<u>\$ -0-</u>	<u>\$ 5,778</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	5,778	-	-
-	3,186	-	-	-	-
-0-	3,186	-0-	5,778	-0-	-0-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ 3,186</u>	<u>\$ -0-</u>	<u>\$ 5,778</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Northwest Michigan Council of Governments

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

September 30, 2004

	WIA JAC #2	WIA Incentive 03/04	WIA State-wide Capacity Building	EDA 04/05
ASSETS				
Cash				
Petty cash	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	7	-	-	(10,423)
Accounts receivable				
TBAISD	-	-	-	-
State of Michigan	-	-	-	10,598
Other	-	-	-	-
Prepaid expenditures	-	-	-	-
TOTAL ASSETS	<u>\$ 7</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 175</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	7	-	-	-
Other	-	-	-	175
TOTAL LIABILITIES	7	-0-	-0-	175
FUND BALANCES				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 175</u>

<u>EDA 03/04</u>	<u>Food Stamps Support Services</u>	<u>Food Assist</u>	<u>Adult Ed</u>	<u>Transportation</u>	<u>Hazard Abatement</u>
\$ - (342)	\$ - 500	\$ - (5,861)	\$ - -	\$ - (32,641)	\$ - (21,812)
- 102	- -	- 18,713	- -	- 38,448	- 21,846
- -	- -	- 9,946	- -	- -	- -
<u>\$ (240)</u>	<u>\$ 500</u>	<u>\$ 22,798</u>	<u>\$ -0-</u>	<u>\$ 5,807</u>	<u>\$ 34</u>
 \$ - - (240)	 \$ 159 341 -	 \$ 22,798 - -	 \$ - - -	 \$ - - 5,807	 \$ - - 34
(240)	500	22,798	-0-	5,807	34
 -	 -	 -	 -	 -	 -
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ (240)</u>	<u>\$ 500</u>	<u>\$ 22,798</u>	<u>\$ -0-</u>	<u>\$ 5,807</u>	<u>\$ 34</u>

Northwest Michigan Council of Governments

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

September 30, 2004

	Regional Planning	Probation Services	MRS Disability Loan	Loan Fund
ASSETS				
Cash				
Petty cash	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	262	516	27,992	13,123
Accounts receivable				
TBAISD	-	-	-	-
State of Michigan	-	12,814	-	-
Other	-	-	-	231
Prepaid expenditures	-	-	-	-
TOTAL ASSETS	<u>\$ 262</u>	<u>\$ 13,330</u>	<u>\$ 27,992</u>	<u>\$ 13,354</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	-	-	-	-
Other	-	13,330	-	-
TOTAL LIABILITIES	-0-	13,330	-0-	-0-
FUND BALANCES				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	262	-	27,992	13,354
TOTAL FUND BALANCES	262	-0-	27,992	13,354
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 262</u>	<u>\$ 13,330</u>	<u>\$ 27,992</u>	<u>\$ 13,354</u>

Quality of Life	Reed Act	WIA Youth 04/05	Community Correction	Total
\$ -	\$ -	\$ -	\$ -	\$ 600
3,961	(34,955)	75,182	(51,777)	41,829
-	-	-	-	22,926
-	50,036	-	126,453	388,143
-	-	-	-	3,281
-	8,368	-	-	26,024
<u>\$ 3,961</u>	<u>\$ 23,449</u>	<u>\$ 75,182</u>	<u>\$ 74,676</u>	<u>\$ 482,803</u>
\$ -	\$ 23,449	\$ 39,537	\$ -	\$ 189,728
-	-	35,645	-	121,692
-	-	-	74,676	125,814
-0-	23,449	75,182	74,676	437,234
3,961	-	-	-	45,569
3,961	-0-	-0-	-0-	45,569
<u>\$ 3,961</u>	<u>\$ 23,449</u>	<u>\$ 75,182</u>	<u>\$ 74,676</u>	<u>\$ 482,803</u>



Northwest Michigan Council of Governments

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

Year Ended September 30, 2004

	WIA Administration 04/05	WIA Adult 04/05	WIA Dislocated Worker 04/05	Procurement
REVENUES				
Grants	\$ 77,023	\$ 169,889	\$ 155,148	\$ 149,975
Interest earned	-	-	-	-
Other	-	-	-	25
TOTAL REVENUES	77,023	169,889	155,148	150,000
EXPENDITURES				
Administration	77,023	-	-	-
Training	-	66,312	45,370	-
Services	-	-	-	-
Intensive	-	18,971	21,131	-
Core services	-	84,606	88,647	-
Procurement	-	-	-	150,000
TOTAL EXPENDITURES	77,023	169,889	155,148	150,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

MEDC	Host Match FY 04	SBDC Match FY 03	SBTDC FY 04	Reed Act Service Center	Reed Act Accessibility
\$ 32,500	\$ (446)	\$ -	\$ 92,955	\$ 126,346	\$ 19,519
-	-	-	-	-	-
-	5,221	-	1,208	-	-
32,500	4,775	-	94,163	126,346	19,519
-	-	-	-	-	959
-	-	-	-	-	-
32,500	6,080	3,758	94,163	126,346	18,560
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
32,500	6,080	3,758	94,163	126,346	19,519
-0-	(1,305)	(3,758)	-0-	-0-	-0-
-	1,305	-	-	-	-
-	-	(1,305)	-	-	-
-0-	1,305	(1,305)	-0-	-0-	-0-
-0-	-0-	(5,063)	-0-	-0-	-0-
-	-	-	-	-	-
-	-	5,063	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

Year Ended September 30, 2004

	SBDC FY 03	WIA Incentive Incumbent Worker	WIA Incumbent Worker State-wide	Trade Act
REVENUES				
Grants	\$ 25,131	\$ 36,411	\$ 103,951	\$ 279,266
Interest earned	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	25,131	36,411	103,951	279,266
EXPENDITURES				
Administration	-	-	-	25,386
Training	-	-	-	253,880
Services	25,131	36,411	103,951	-
Intensive	-	-	-	-
Core services	-	-	-	-
Procurement	-	-	-	-
TOTAL EXPENDITURES	25,131	36,411	103,951	279,266
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NAFTA	TAA	Employment Service 04/05	Employment Service 03/04	Reemployment Service 03/04	Work First TANF
\$ 131	\$ 24,692	\$ 49,287	\$ 462,361	\$ 34,757	\$ 387,245
-	-	-	-	-	-
-	-	-	-	-	-
131	24,692	49,287	462,361	34,757	387,245
-	2,245	-	-	-	37,971
-	22,447	-	-	-	-
131	-	49,287	462,361	34,757	349,274
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
131	24,692	49,287	462,361	34,757	387,245
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

Year Ended September 30, 2004

	Transportation to Work TANF	GFGP WTW	TANF Support Services	WTW
REVENUES				
Grants	\$ 10,000	\$ 6,110	\$ 20,000	\$ 213,231
Interest earned	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	10,000	6,110	20,000	213,231
EXPENDITURES				
Administration	-	-	-	-
Training	-	-	-	-
Services	10,000	6,110	20,000	213,231
Intensive	-	-	-	-
Core services	-	-	-	-
Procurement	-	-	-	-
TOTAL EXPENDITURES	10,000	6,110	20,000	213,231
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

WTW GFGP	WIA Displaced Homemaker 04/05	WIA Displaced Homemaker WRC 03/04	WIA Administration 03/04	WIA Lear JAC #1	WIA Neg 03/04
\$ 106,616	\$ 6,222	\$ 23,446	\$ 301,847	\$ 7,590	\$ 144,900
-	-	-	-	-	-
-	-	-	-	-	-
106,616	6,222	23,446	301,847	7,590	144,900
14,483	-	2,910	301,847	1,725	13,173
-	-	-	-	-	131,727
92,133	-	-	-	5,865	-
-	750	2,805	-	-	-
-	5,472	17,731	-	-	-
-	-	-	-	-	-
106,616	6,222	23,446	301,847	7,590	144,900
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

Year Ended September 30, 2004

	WIA JAC #2	WIA Incentive 03/04	WIA State-wide Capacity Building	EDA 04/05
REVENUES				
Grants	\$ 993	\$ 125,122	\$ 24,000	\$ 10,598
Interest earned	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	993	125,122	24,000	10,598
EXPENDITURES				
Administration	-	-	-	-
Training	-	-	-	-
Services	993	125,122	24,000	10,598
Intensive	-	-	-	-
Core services	-	-	-	-
Procurement	-	-	-	-
TOTAL EXPENDITURES	993	125,122	24,000	10,598
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Prior period adjustments	-	-	-	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

EDA 03/04	Food Stamps Support Services	Food Assist	Adult Ed	Transportation	Hazard Abatement
\$ 59,980	\$ 659	\$ 157,713	\$ 200,000	\$ 163,363	\$ 80,072
-	-	-	-	-	-
-	-	-	-	-	-
59,980	659	157,713	200,000	163,363	80,072
-	-	28,679	10,000	-	-
-	-	-	-	-	-
59,980	659	129,034	190,000	163,363	80,072
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59,980	659	157,713	200,000	163,363	80,072
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-



Northwest Michigan Council of Governments

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

Year Ended September 30, 2004

	Regional Planning	Probation Services	MRS Disability Loan	Loan Fund
REVENUES				
Grants	\$ -	\$ 112,789	\$ 30,000	\$ -
Interest earned	-	-	571	310
Other	5,075	-	-	-
TOTAL REVENUES	5,075	112,789	30,571	310
EXPENDITURES				
Administration	-	-	-	-
Training	-	-	-	-
Services	4,813	112,789	30,676	(1,819)
Intensive	-	-	-	-
Core services	-	-	-	-
Procurement	-	-	-	-
TOTAL EXPENDITURES	4,813	112,789	30,676	(1,819)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	262	-0-	(105)	2,129
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	262	-0-	(105)	2,129
Fund balances, beginning of year	-	-	28,097	11,225
Prior period adjustments	-	-	-	-
Fund balances, end of year	<u>\$ 262</u>	<u>\$ -0-</u>	<u>\$ 27,992</u>	<u>\$ 13,354</u>

Quality of Life	Reed Act	WIA Youth 04/05	Community Correction	Total
\$ 6,670	\$ 859,036	\$ 230,565	\$ 406,208	\$ 5,533,871
-	-	-	-	881
-	-	-	-	11,529
6,670	859,036	230,565	406,208	5,546,281
-	72,901	-	45,637	634,939
-	-	-	-	519,736
32,276	786,135	230,565	360,571	4,029,876
-	-	-	-	43,657
-	-	-	-	196,456
-	-	-	-	150,000
32,276	859,036	230,565	406,208	5,574,664
(25,606)	-0-	-0-	-0-	(28,383)
-	-	-	-	1,305
-	-	-	-	(1,305)
-0-	-0-	-0-	-0-	-0-
(25,606)	-	-	-	(28,383)
29,567	-	-	-	68,889
-	-	-	-	5,063
\$ 3,961	\$ -0-	\$ -0-	\$ -0-	45,569

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Restated (Memo only) Prior Years' Expenditures	Current Year	
					Revenues	Expenditures
U.S. DEPARTMENT OF LABOR						
Passed through the Michigan Department of Career Development						
Welfare-to-Work	17.253 <sup>(1)</sup>					
Welfare-to-Work FY04		N/A	\$ 213,231	\$ -	\$ 213,231	\$ 213,231
Workforce Investment Act	17.258 - 17.260 <sup>(3)</sup>					
Administration						
PY03		N/A	508,701	83,561	301,847	301,847
PY04		N/A	471,010	-	77,023	77,023
Incumbent worker - Incentive		N/A	37,337	-	36,411	36,411
Incumbent worker - Statewide		N/A	124,942	-	103,951	103,951
Performance Incentive		N/A	304,072	-	125,122	125,122
Displaced Homemaker						
PY03		N/A	29,104	-	23,446	23,446
PY04		N/A	24,443	-	6,222	6,222
Capacity Building		N/A	<u>24,000</u>	<u>-</u>	<u>24,000</u>	<u>24,000</u>
			1,523,609	83,561	698,022	698,022
Workforce Investment Act	17.258 <sup>(3)</sup>					
Adult						
PY03		N/A	1,336,717	206,898	779,232	779,232
PY04		N/A	<u>1,339,392</u>	<u>-</u>	<u>169,889</u>	<u>169,889</u>
			2,676,109	206,898	949,121	949,121
Workforce Investment Act	17.259 <sup>(3)</sup>					
Youth						
PY03		N/A	1,429,026	364,759	880,662	880,662
PY04		N/A	<u>1,232,248</u>	<u>-</u>	<u>214,355</u>	<u>214,355</u>
			2,661,274	364,759	1,095,017	1,095,017

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Restated (Memo only) Prior Years' Expenditures	Current Year	
					Revenues	Expenditures
U.S. DEPARTMENT OF LABOR - CONTINUED						
Passed through the Michigan Department of Career Development - continued						
Workforce Investment Act Dislocated Worker	17.260 <sup>(3)</sup>					
PY03		N/A	\$ 1,540,230	\$ 186,056	\$ 908,634	\$ 908,634
PY04		N/A	1,542,991	-	155,148	155,148
Joint Adjustment Committee #1		1246	15,818	-	7,590	7,590
Joint Adjustment Committee #2		1259	8,118	-	993	993
National Emergency Board		N/A	<u>155,137</u>	<u>10,237</u>	<u>144,900</u>	<u>144,900</u>
			3,262,294	196,293	1,217,265	1,217,265
Employment Services						
Employment Services	17.207 <sup>(1)</sup>					
PY03		N/A	586,212	72,143	462,361	462,361
PY04		N/A	555,280	-	49,287	49,287
Reemployment Services						
PY03		N/A	48,058	11,983	34,757	34,757
PY04		N/A	<u>45,205</u>	<u>-</u>	<u>-</u>	<u>-</u>
			1,234,755	84,126	546,405	546,405
Reed Act						
Work First FY04	17.UKN <sup>(1)</sup>	N/A	859,036	-	859,036	859,036
Service Center		N/A	126,346	-	126,346	126,346
Accessibility		N/A	<u>19,519</u>	<u>-</u>	<u>19,519</u>	<u>19,519</u>
			1,004,901	-0-	1,004,901	1,004,091
TAA/NAFTA						
Trade Act	17.245 <sup>(1)</sup>	N/A	279,249	-	279,266	279,266
TAA		N/A	24,692	-	24,692	24,692
NAFTA		N/A	<u>131</u>	<u>-</u>	<u>131</u>	<u>131</u>
			<u>304,072</u>	<u>-0-</u>	<u>304,089</u>	<u>304,089</u>
TOTAL U.S. DEPARTMENT OF LABOR			12,880,245	935,637	6,028,051	6,028,051

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantors Number	Restated Program or Award Amount	Restated (Memo only) Prior Years' Expenditures	Current Year	
					Revenues	Expenditures
U.S. DEPARTMENT OF EDUCATION						
Passed through Michigan Department of Education						
Adult Education and Family Literacy Regular	84.002A	410884	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Passed through the Michigan Department of Career Development						
Michigan Rehab Services	84.126					
Innovation and Expansion FY04		2004-59122-54920	<u>29,513</u>	<u>-</u>	<u>23,610</u>	<u>23,610</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			229,513	-0-	223,610	223,610
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through the U.S. Small Business Administration and Grand Valley State University	59.037					
SBDC Regional Center						
CY04		N/A	120,000	-	92,955	92,955
CY03		N/A	<u>140,000</u>	<u>106,071</u>	<u>25,131</u>	<u>25,131</u>
			260,000	106,071	118,086	118,086
FEDERAL EMERGENCY MANAGEMENT AGENCY						
Passed through the Michigan Department of State Police and Grand Traverse County	83.548					
Hazard Mitigation FY03/04		N/A	206,250	89,178	80,072	80,072
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through the Family Independence Agency and the Michigan Department of Career Development						
Temporary Assistance for Needy Families	93.558					
Work First FY04		N/A	387,245	-	387,245	387,245
Transportation to Work FY04			10,000	-	10,000	10,000
Supportive Services			<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
			417,245	-0-	417,245	417,245

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantors Number	Restated Program or Award Amount	Restated (Memo only) Prior Years' Expenditures	Current Year	
					Revenues	Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed through the Michigan Department of Career Development	10.561 <sup>(1)</sup>					
Food Stamps Employment and Training FY04		N/A	\$ 157,713	\$ -	\$ 157,713	\$ 157,713
Food Stamps Supportive Services FY04		N/A	<u>3,953</u>	<u>-</u>	<u>659</u>	<u>659</u>
			161,666	-0-	158,372	158,372
U.S. DEPARTMENT OF DEFENSE						
Passed through the Defense Logistics Agency	12.002					
Procurement - Technical Assistance FY04		SP4800-03-2-0307	150,000	-	149,875	149,875
U.S. DEPARTMENT OF COMMERCE						
Passed through the Economic Development Administration	11.302					
Economic Development - Support for Planning Organizations						
District Continuation Grant						
03/04		06-83-04839	52,385	9,969	42,518	42,518
04/05		06-83-04925	<u>51,628</u>	<u>-</u>	<u>10,598</u>	<u>10,598</u>
			104,013	9,969	53,116	53,116
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through the Michigan Department of Transportation	20.205					
Highway Planning and Construction - FY04 - M-119		47722	33,000	-	32,634	32,634
FY04 - M-22			<u>33,000</u>	<u>-</u>	<u>9,814</u>	<u>9,814</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>66,000</u>	<u>-0-</u>	<u>42,448</u>	<u>42,448</u>
TOTAL FEDERAL AWARDS			<u>\$ 14,474,932</u>	<u>\$ 1,140,855</u>	<u>\$ 7,270,875</u>	<u>\$ 7,270,875</u>

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2004

(1) Program is considered a "major" program

(2) The following reconciles the Federal expenditures to the grant revenues reported in the fund financial statements:

Federal expenditures per schedule	\$ 7,270,875
Non-Federal expenditures reported in the fund financial statements	<u>831,524</u>
	<u>\$ 8,102,399</u>

(3) Denotes programs required to be clustered by the United States Department of Labor.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Northwest Michigan Council of Governments  
Traverse City, Michigan

We have audited the financial statements of the governmental activities and major funds of Northwest Michigan Council of Governments as of and for the year ended September 30, 2004, which collectively comprise Northwest Michigan Council of Governments basic financial statements and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We did note other matters involving the internal control over financial reporting that we have reported to the management of Northwest Michigan Council of Governments in a separate letter dated January 7, 2005

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Michigan Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.



This report is intended solely for the information of the Board of Directors and management of Northwest Michigan Council of Governments, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

January 7, 2005

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of  
Northwest Michigan Council of Governments  
Traverse City, Michigan

### Compliance

We have audited the compliance of Northwest Michigan Council of Governments with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to each of its major Federal programs for the year ended September 30, 2004. Northwest Michigan Council of Governments' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Northwest Michigan Council of Governments' management. Our responsibility is to express an opinion on Northwest Michigan Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Northwest Michigan Council of Governments' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Michigan Council of Governments' compliance with those requirements.

In our opinion, Northwest Michigan Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2004.

### Internal Control Over Compliance

The management of Northwest Michigan Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Northwest Michigan Council of Governments, the pass-through grantors, and the Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

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January 7, 2005

Northwest Michigan Council of Governments

SCHEDULE OF FINDINGS

Year Ended September 30, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the combined financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings regarding internal controls or compliance related to the major programs tested.

The major programs tested to cover 25 percent of the total Federal expenditures were the Welfare-to-Work (CFDA 17.253), Employment Services (CFDA 17.207), TAA/NAFTA (CFDA 17.245), Reed Act (CFDA 17.UKN), and Food Stamps Employment and Training (CFDA 10.561). Total Federal expenditures for the year ended September 30, 2004 for the major programs tested were \$2,226,998, which is approximately 31 percent of the total Federal expenditures. Based on the criteria of OMB Circular A-133, Northwest Michigan Council of Governments qualified as a low-risk auditee for the year September 30, 2004.

The Consortium had five (5) Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

None

Northwest Michigan Council of Governments  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

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MANAGEMENT LETTER

To the Board of Directors  
Northwest Michigan Council of Governments  
Traverse City, Michigan

As you know, we have recently completed our audit of the records of Northwest Michigan Council of Governments as of and for the year ended September 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Organization should review certain balance sheets accounts and make appropriate adjustments.

During our analysis of the Organization's trial balances as of September 30, 2004, we noted that the accounts payable records were difficult to reconcile back to the general ledger.

We suggest the Organization analyze these account balances and related financial reports and make appropriate adjustments to assure the accuracy of this information.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated January 7, 2005.

This report is intended solely for the information and use of the management of Northwest Michigan Council of Governments and the pass-through grantors and should not be used by anyone other than those specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

January 7, 2005